

**Date:** September 22, 2015

**To:** Thomas J. Bonfield, City Manager  
**Through:** W. Bowman Ferguson, Deputy City Manager  
**From:** Jina B. Propst, Assistant Director, General Services Department  
**Subject:** Proposed Acquisition of the former Duke Diet & Fitness Center property located at 808 W. Trinity Avenue

### **Executive Summary**

The former Duke Diet and Fitness Center (DDFC), located at 808 W. Trinity Avenue, is a 9.18 acre site that contains a 36,410 square foot building. The property is currently owned by Duke University.

The City's Stormwater Services staff had identified a need for acquisition of the property for redevelopment as a stormwater retrofit wetland project. The wetland project was presented at numerous community meetings over the past several years. Staff has been conducting investigative work to look into issues with the site's soil content that were first identified in the City's Phase I Environmental Site Assessment of the property. The City's contractor has performed soil borings and analysis on three separate occasions which resulted in a revised Phase II Environmental Site Assessment and other associated reports. An evaluation of the estimated cost for soil remediation of the site was also performed. The overall cost of the project, even with the remediation costs, is still within the range of the budgeted amount of the anticipated project cost of \$8 million. The project budget originally contained a property acquisition estimate of \$3 million. The purchase price agreed to with Duke University is now \$1 million. The remainder will be applied to required remediation costs. If the land acquisition and project moves forward, grant opportunities will be evaluated to reduce the overall costs.

### **Recommendation**

The General Services and Public Works Departments recommend that City Council approve the fee simple acquisition of 9.18 acres located at 808 W. Trinity Avenue (Parcel # 105281) from Duke University for \$1,000,000.00.

### **Background**

The former DDFC, currently owned by Duke University, is a 9.18 acre site located at the headwaters of South Ellerbe Creek at the confluence of the Trinity (230 acres) and Downtown (255 acres) Basins, two heavily developed urban basins near downtown Durham. Most of the site is located within the 100-year floodplain and a portion of the existing building is located within the regulated floodway.

The Falls Lake existing development rule requires reductions in nitrogen and phosphorus from existing development prior to reaching Falls Lake. The former DDFC site is an excellent location to construct a large regional stormwater retrofit project. A retrofit project at this location would provide for a significant portion of the nitrogen and phosphorus load reduction needed for the Falls Lake load Stage 1 reduction goal from existing development. Brown and Caldwell worked as the City's consultant to provide a feasibility study to determine the viability of this project to achieve the reductions. The results of the study recommend a constructed wetland retrofit on the site. In order for the wetland to be designed properly to reduce nitrogen and phosphorus, the entire site must be utilized and the existing building and parking areas removed. The savings of doing one project instead of many in staffing, project management, construction, and maintenance costs is substantial and will help to reduce the Falls Lake Stage 1 reductions overall costs to the City. In addition, the project would benefit Ellerbe Creek and South Ellerbe Creek by providing flood control, improving aquatic health, and reducing additional pollutants such as sediment and bacteria.

Over a dozen public meeting and presentations have been given by staff on the unique project. Feedback has been documented and will be considered in the design of the project. There were many organizations supportive of the project. Discussions with Duke University concerning the property have been going on for the last few years while Stormwater Services has been investigating the property.

This project is part of the overall approach to meet the Falls Stage 1 existing development nutrient reduction goals. The approach includes this project and the South Ellerbe Wetland as well as nutrient bank credits, existing projects, green infrastructure, and Algae Turf Scrubber technology.

### **Issues/Analysis**

Stormwater Services has been investigating the property to look into issues with the soils on the site which were first identified in the City's Phase I Environmental Site Assessment of the property. The City's contractor performed soil borings and analysis on three separate occasions over the past few years which resulted in revised Phase II Environmental Site Assessment and other associated reports. An evaluation of the estimated cost for soil remediation of the site was also performed. The overall cost of the project even with the remediation costs is still within the range of the budgeted amount of the anticipated cost for the project of \$8 million. The project was originally estimated at \$3 million for property acquisition costs alone and the purchase price is now \$1 million. The remainder will be applied to the remediation costs. If the land acquisition and project moves forward, grant opportunities will be evaluated to reduce the overall costs.

A real estate appraisal of the property dated August 26, 2013 was prepared for the Real Estate Division of the General Services Department by Analytical Consultants, Inc. The appraisal report determined an as-is Market Value of \$0, and a "value in

use” of \$860,000.00. According to the report, the as-is value takes into consideration that the building is in the floodplain and improvements to bring it to code and to market expectations will exceed 50% of the market value of the structure making it “obsolescence incurable”. The highest and best use of the property is vacant land. Demolition cost estimates (\$395,000) exceed the as-is land value (\$240,000). The land value is based on the one acre of the property that is not in the floodplain. The report defines “value in use” as the value a specific property has for a specific use and involves direct comparison to sales of similar properties in the market area. In this case no adjustments were made for the property being located in the floodplain; which is normally considered inferior to those not located in the floodplain. Adjustments were made for building demolition costs but not for soil costs related to contaminated soil. Soil remediation costs were obtained after the appraisal was completed.

The Purchase Option granted to the City contains the following terms and conditions:

- (1) The property has a total of 9.18 acres;
- (2) The purchase price is \$1,000,000.00;
- (3) The Option expires 60 days after City Council approval; and
- (4) Upon exercise of Option by the City and by giving notice of such exercise, the seller shall execute and deliver a good and sufficient deed conveying fee simple title to the City;

It is understood and agreed that the City of Durham or its agents or contractors may enter upon the property for purposes related to the acquisition at any time after the execution of this Option and before delivery of the deed.

### **Alternatives**

City Council may elect to not exercise the Option to Purchase provided by Duke University. This action is not recommended as doing so would require the City to hire additional staff to manage the design and construction of 15-25 additional smaller retrofit projects. This would involve hiring a large number of additional staff over a very short period of time in order to complete the projects within the required timeframe.

### **Financial Impact**

Expenditures Related to the Acquisition

\$1,000,000.00	Purchase price
\$ 2,000.00	Estimated Closing Costs
\$1,002,000.00	Estimated Total Expenditures

Funds are available in the Stormwater Retrofit account.

### **SDBE Summary**

This item does not require review by the Equal Opportunity/Equity Assurance Department.

Attachments: Location Map, Option to Purchase